



Merlon Concentrated Australian Share Fund

About Merlon

Merlon Capital Partners is an Australian-based boutique fund manager established in May 2010.

We partner with advisers and long-term investors seeking conviction, discipline and trusted stewardship through market cycles. Merlon invests with an absolute-return mindset focused on protecting and growing capital in uncertain markets.

Fund Features

Proven Investment Philosophy: We believe people are motivated by short-term outcomes, over emphasise recent information and are uncomfortable having unpopular views.

Simple Process: We invest in undervalued companies where we think market participants have become too pessimistic.

Concentrated: A portfolio of 25-35 companies constructed without regard to benchmark weights.

True-to-Label Performance: Merlon's investment team has a proven long-term value investing track record since its 2010 inception.

Integrated ESG Approach: We believe deep consideration of governance, social as well as environmental issues – coupled with active ownership – enhances investment, business and community outcomes.

Portfolio Managers



Neil Margolis

Founded Merlon Capital Partners in May 2010. Prior to Merlon, Neil was Portfolio Manager of Challenger Limited's Australian Share Income Fund, having established the strategy in 2005. Neil joined Challenger in 2004 as a Senior Industrials Analyst from Alliance Capital Management where he held the position of Senior Equities Analyst. Neil was with Alliance for three years, and prior to that worked for JP sMorgan Investment Bank. Neil holds a B.BusSc (Hons), CA and CFA.

Fund Objective

The Fund aims to outperform the benchmark on a total return basis over the medium to long term.

Fund Facts

Fund inception date	1st February 2018
Merlon FUM	\$992m
Strategy FUM	\$398m
Fund FUM	\$225m
Management fee	0.52% p.a
Performance fee	20% of the Fund's daily return above the benchmark.
Minimum Investment	\$10,000
Suggested timeframe	At least 5 years
Buy/Sell Spread	+0.20% / -0.20%
Distribution Frequency	Quarterly
APIR Code	HOW2217AU

Top Ten Holdings* (Alphabetical)

Amcor	Endeavour
AMP	Fletcher Building
ASX	NIB
Aurizon	Ramsay Health Care
CSL	Sonic H'Care

* Top ten company exposures adjusted for the impact of derivatives

Investment Enquiries

To find out more about investing in the Concentrated Australian Share Fund, peak to your financial planner or contact Jack Dooley: jdooley@merloncapital.com



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Merlon Concentrated Australian Share Fund

Fund Performance (net of fees)

% ₁	Fund	Benchmark ₂	Excess
7 Years (p.a.)	9.4	8.0	1.4
5 Years (p.a.)	11.1	7.8	3.4
3 Years (p.a.)	9.5	10.6	-1.1
1 Year	9.1	6.1	3.0
FYTD	9.1	6.1	3.0
CYTD	5.1	2.4	2.8
Quarter	4.1	4.0	0.1
Month	5.5	0.7	4.8

1 Performance figures are calculated after fees have been deducted and assumed distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

2 The Fund benchmark is the S&P/ASX 200 Accumulation Index.

3 The Inception Date for the class is 1 February 2018. Strategy Inception Date is 31 May 2010.

Source: Fidante Partners Limited, 28 February 2026.

Performance update

The Merlon Concentrated Share Fund advanced 5.5% after fees in June (vs the ASX200 +0.7%) and outperformed 0.1% for the quarter. Over 5 years, the Fund has returned 70% after fees versus the index's 45%.

The quarter saw three consecutive monthly market gains as war concerns and oil prices eased, shrugging off three rate rises since February and three consecutive increases in the RBA's preferred measure of inflation. The AUD weakened after peaking at 72c in May, along with bond yields, commodity prices and precious metals.

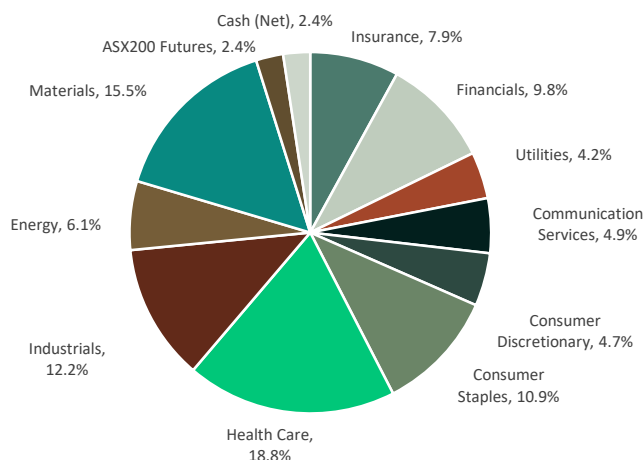
Thematic tailwinds favoured Merlon's bottom-up investments in defensive Consumer and Healthcare stocks, trading 30% below historic multiples, as did having low exposures to Materials, reduced exposure to Energy and no exposure to Banks, facing slowing credit growth and rising delinquencies.

Key portfolio contributors included Treasury Wine with an investor day that exceeded low expectations & Penfolds China depletions growing strongly; AMP, buying back 10% of shares near tangible asset backing; Reliance Worldwide on optimism related to US Federal housing initiatives and manufacturing rationalisation; and Steadfast on a takeover offer. Not owning Woodside (exited March) or Banks aided relative performance.

Detractors included Beach Energy on delayed production despite a favourable commodity backdrop; AGL with weaker wholesale electricity costs from battery capacity and wind generation; and Orora, with Saverglass logistics disrupted in the Middle East. Not owning BHP, Wesfarmers and Macquarie also detracted from relative performance.

The portfolio's historically low beta of 0.7 reflects a tilt toward defensive stocks undervalued for their cash flow and franking, and historically under-earning. We believe investing where the market has become too pessimistic – and without regard to index weights – should fare well against a benchmark highly concentrated in macro-sensitive stocks on elevated multiples, especially amid heightened inflation risk and slowing growth.

Sector Exposures



Market Cap Bands

Top 20, 8.6%	Between 100 & 200, 26.8%
Next 30, 21.2%	Between 200 & 300, 0.0%
Top 100 ex 50 Leaders, 38.6%	ASX200 Futures, 2.4%
Cash (Net), 2.4%	

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